KPMG

Quarterly Brief

Capital market data as of 30 September 2024

23rd Edition of our International Valuation Newsletter
Q3 2024

October 2024
kpmg.pl/wyceny

Preface

Dear reader,

A big topic in Q3 continues to be undoubtedly geopolitics, with the ongoing war in Ukraine and escalating tensions between Israel and Hamas, now involving Hezbollah and Iran, dominating headlines.

OpenAI, seeking to raise $6.5 billion, was on track to reach a valuation of $150 billion, highlighting the immense capital requirements for developing generative AI and signaling a shift in Silicon Valley's investment strategies.

Central banks around the world have adjusted their monetary policy and cut their reference rates in almost all cases in order to counter an impending recession.

The Olympic and Paralympic Games in Paris, the first TV debate between the two American presidential candidates Kamala Harris and Donald Trump, Keir Starmer's entry as British Prime Minister, the unexpected election victory of the New Popular Front in France, the cancellation of Aerosmith's farewell tour, the sinking of the superyacht "Bayesian" off the Italian coast, and a new world record for eating hot dogs – these are just some other topics that moved the economy and society in the third quarter of 2024.

We are pleased to present once more our Quarterly Brief, a publication that offers objective market data, which will keep readers abreast of the latest developments in the relevant financial markets.

In Appendix I and II, we present valuation multiples for 14 sectors represented on the Warsaw Stock Exchange and related macroeconomic data.

We wish you all the best and look forward to discussing your questions regarding valuation trends and practices.

Yours faithfully

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Head of Valuation Team in CEE

Tomasz Regulski
Partner Associate, Deal Advisory,
Head of Valuation Team in Poland

Piotr Czapiewski
Associate Director, Deal Advisory,
Valuation Team

We provide a selection of key financial market data covering:

- Comparison of major stock market performance for the 12 months ending 30 September 2024
- S&P Eurozone BMI Index sector multiples
- Risk-free rates for major currencies
- Country risk premiums and inflation forecasts for the BRICS countries

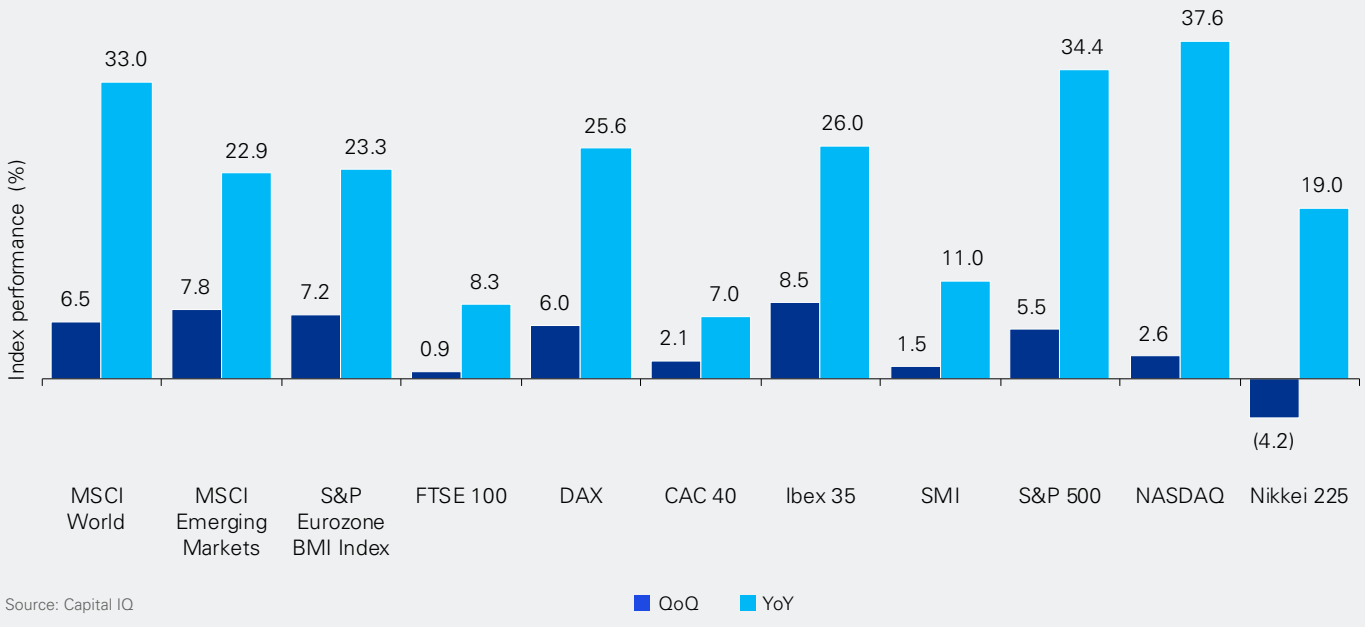
Major stock market performance: signs of recovery and growth in global index performance during the third quarter

Over the past 12 months, global capital markets have continued to demonstrate significant growth, with some indices exhibiting double-digit growth rates since October 2023. However, a few indices, namely the SMI, the CAC40, and the FTSE 100 Index, have reported only moderate year-over-year growth rates of 11.0%, 7.0%, and 8.3%, respectively.

In addition, the quarter-on-quarter development of the Nikkei 225 Index has underperformed the other indices, showing a substantial decrease of 4.2% in the last three months, indicating a notably poor performance. The other index exhibits positive performance.

Performance of leading indices

1 October 2023 - 30 September 2024



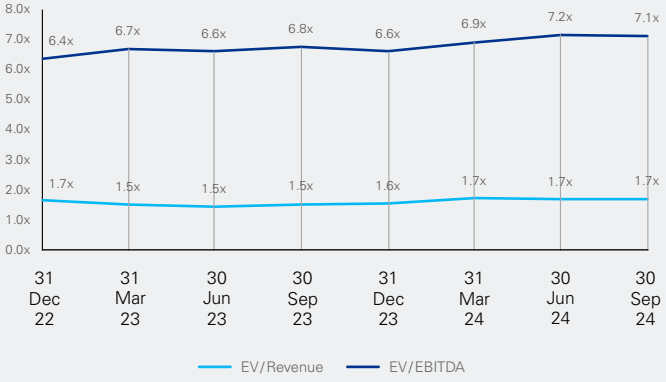
Source: Capital IQ

S&P Eurozone BMI Index sector multiples

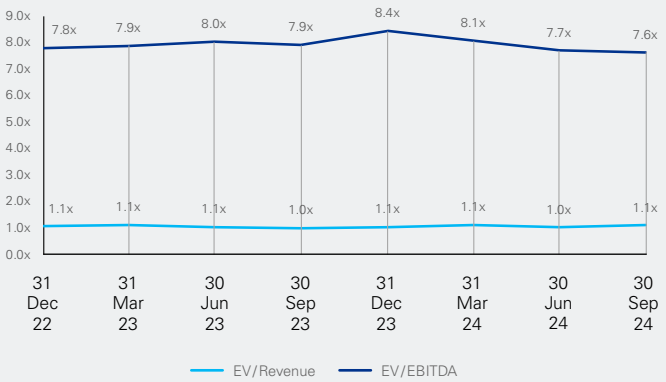
During the third quarter of 2024, the EV/EBITDA multiples of six sectors, which marks roughly half of all sectors covered, have increased compared to the previous quarter. Communication Services, Consumer Discretionary, Consumer Staples, Energy and Healthcare sectors presented a reduction in derived multiples, which may have a connection to the increased observed inflation in many countries and the associated change in consumer behavior anticipated by the market. However, it is important to note that this depends distinctly on the sector, geography, and individual factors of each company. Therefore, it is necessary to evaluate each company's situation individually.

By comparison, the EV/revenue multiples have remained fairly constant compared to the previous quarter. This implies a direct link between revenue and the enterprise value anticipated by the market.

Communication Services

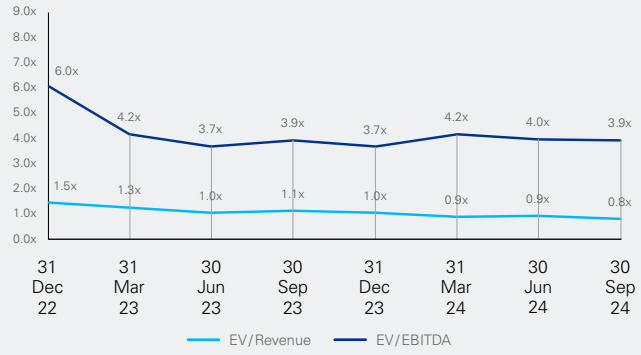


Consumer Discretionary

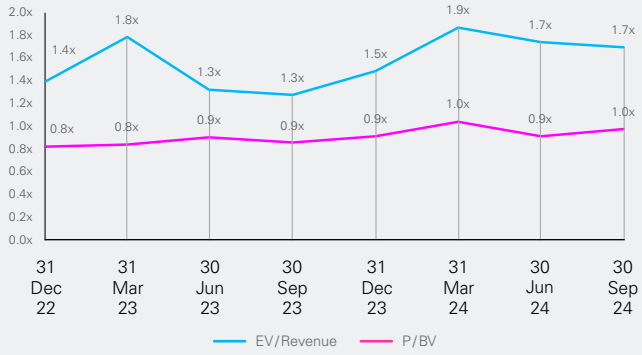


Consumer Staples

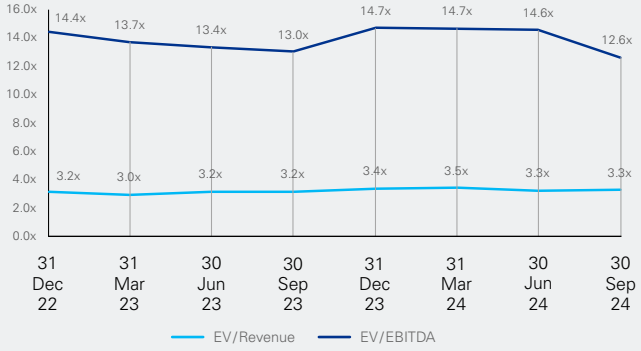
Energy



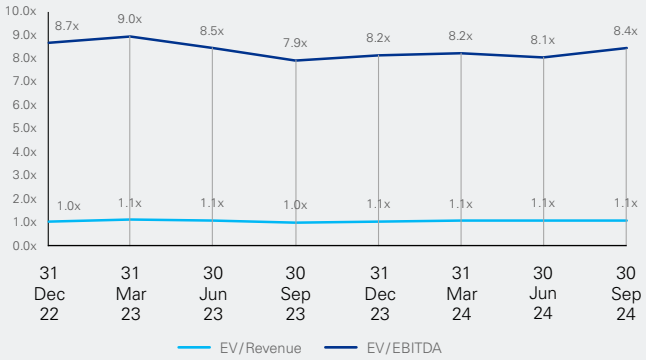
Financials



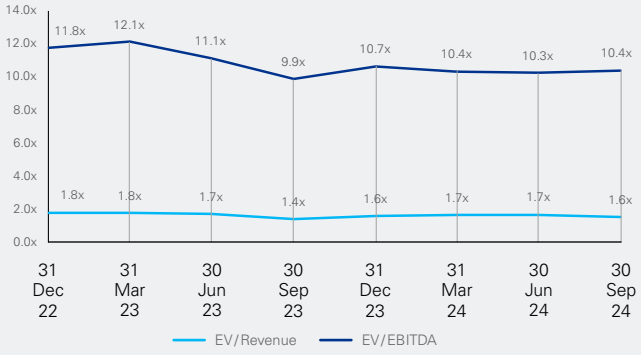
Health Care



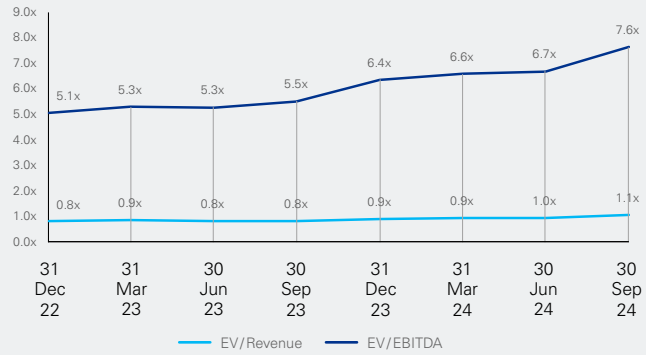
Industrials



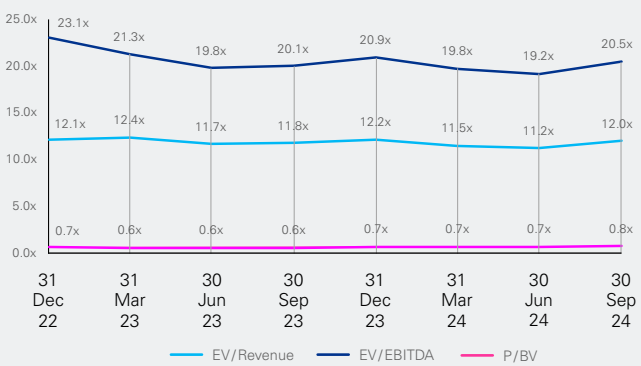
Information Technology



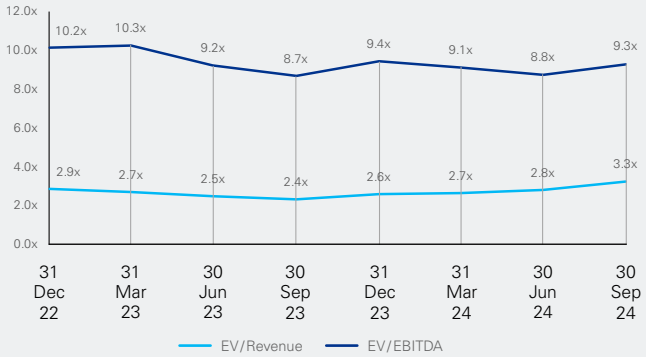
Materials



Real Estate



Utilities



Source: Capital IQ, KPMG analysis

Note: Multiples are analyzed based on the latest information available as of the assessment date for the respective edition of the Quarterly Brief newsletter. Changes in index composition, revised financial information and newly available information as of the respective assessment date may cause multiples to change.

Risk-free rates: Switzerland moves forward with additional policy rate cut

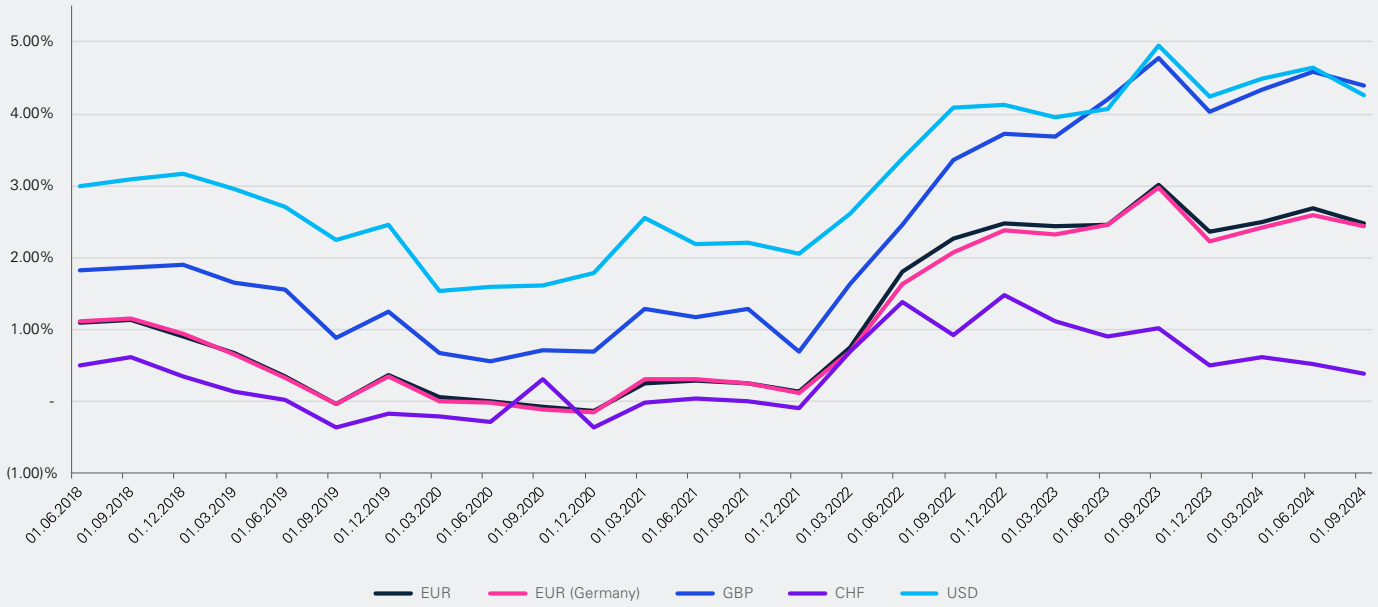
The Swiss National Bank continued easing its monetary policy citing the increasing strength of the Swiss franc. On 26 September 2024, the SNB decided to lower its policy rate by 0.25%, lowering the policy rate to 1% from the previous target of 1.25%. With its decision, the SNB considered the further reduction in inflationary pressure quarter-on-quarter. The European Central Bank, Bank of England and the US Federal Reserve have also opted to cut interest rates this quarter in response to declining inflation, aiming to support economic activity. The reduction in the policy rate impacts the risk-free interest rate determined by KPMG for Switzerland. The individual interest rate trends are depicted in the table below. Conceptually, these interest rates are derived by KPMG from a uniform yield curve that is based on observable policy rate parameters defined by central banks. As of 30 September 2024, the United Kingdom held the highest interest rate among major economies, followed by the United States, the Eurozone overall, Germany specifically, and Switzerland.

Risk-free rates

	EUR	EUR	GBP	CHF	USD
30.06.2018	1.09%	1.12%	1.83%	0.51%	3.00%
30.09.2018	1.13%	1.15%	1.87%	0.61%	3.10%
31.12.2018	0.90%	0.94%	1.91%	0.35%	3.17%
31.03.2019	0.67%	0.65%	1.65%	0.15%	2.96%
30.06.2019	0.35%	0.33%	1.56%	0.02%	2.71%
30.09.2019	(0.03)%	(0.03)%	0.88%	(0.36)%	2.25%
31.12.2019	0.37%	0.34%	1.25%	(0.16)%	2.46%
31.03.2020	0.06%	0.01%	0.68%	(0.20)%	1.54%
30.06.2020	0.01%	(0.02)%	0.56%	(0.29)%	1.60%
30.09.2020	(0.08)%	(0.11)%	0.72%	0.32%	1.61%
31.12.2020	(0.13)%	(0.14)%	0.70%	(0.36)%	1.78%
31.03.2021	0.26%	0.32%	1.29%	(0.01)%	2.55%
30.06.2021	0.29%	0.31%	1.17%	0.05%	2.20%
30.09.2021	0.26%	0.25%	1.29%	0.00%	2.21%
31.12.2021	0.14%	0.12%	0.70%	(0.10)%	2.05%
31.03.2022	0.75%	0.69%	1.63%	0.70%	2.62%
30.06.2022	1.80%	1.64%	2.45%	1.38%	3.38%
30.09.2022	2.27%	2.07%	3.36%	0.92%	4.09%
31.12.2022	2.47%	2.39%	3.72%	1.48%	4.12%
31.03.2023	2.44%	2.32%	3.68%	1.11%	3.96%
30.06.2023	2.45%	2.45%	4.20%	0.90%	4.07%
30.09.2023	3.02%	2.97%	4.78%	1.03%	4.95%
31.12.2023	2.37%	2.22%	4.04%	0.50%	4.24%
31.03.2024	2.49%	2.42%	4.34%	0.61%	4.50%
30.06.2024	2.68%	2.60%	4.58%	0.52%	4.65%
30.09.2024	2.48%	2.44%	4.40%	0.38%	4.26%

Source: KPMG analysis
Note: Risk-free rates are determined as a present value-equivalent uniform interest rate based on the yield curve of the respective central bank (Svensson model)

Risk-free rates over time



Country risk premium: modest improvement – Russia remains unclear

Following the second quarter, the factors influencing the country risk premium (CRP) in the BRICS countries remained mostly stable albeit with slight signs of improvement. All countries feature improved overall country risk despite rapidly changing economical and geopolitical challenges.

Due to the ongoing military aggression against Ukraine, the availability of reliable data concerning country risk for Russia remains a challenge. As such, no meaningful values can be indicated. For Iran, no meaningful CRP can be estimated due to its prevailing hyperinflationary economic environment.

Country risk premium

	30.09.2023	31.12.2023	31.03.2024	30.06.2024	30.09.2024
Brazil	2.5%	2.3%	2.2%	2.0%	2.4%
India	2.2%	2.3%	2.3%	2.2%	2.0%
China	0.7%	0.7%	0.7%	0.6%	0.5%
South Africa	3.3%	3.2%	3.2%	3.1%	2.9%
Egypt	10.7%	11.4%	11.6%	11.3%	10.6%
Ethiopia	14.1%	n/a	n/a	n/a	n/a
Iran	n/a	n/a	n/a	n/a	n/a
United Arab Emirates	0.6%	0.6%	0.6%	0.5%	0.5%

Source: KPMG CRP study
Note: Based on a two-year analysis

Growth rates: stable long-term outlook, volatility in the medium term

Inflation forecasts are one of the typical indicators that can be used to assess the long-term growth rate for the terminal value calculation. The inflation rates for the BRICS countries are based on the Economist Intelligence Unit's inflation forecast for the years 2024 to 2029. The expected inflation can be measured through several parameters. For our presentation, we consider the GDP deflator. It is calculated as the difference between nominal and real GDP and measures the change in prices for all the goods and services produced in an economy.

The inflation expectations for the BRICS countries have only slightly changed compared to the June 2024 forecast. Long-term inflation expectations have stayed almost the same for all countries, while short- and medium-term inflation expectations have risen significantly for some countries (Iran, Ethiopia, Egypt, and Russia). This may be caused by ongoing geopolitical tensions, as well as emerging supply and production issues due to sanctions or disrupted supply chains. However, the global growth outlook still is increasingly positive despite the challenging economic environment.

Inflation forecast

	2024	2025	2026	2027	2028	2029
Brazil	4.5%	3.5%	2.6%	3.0%	2.6%	2.9%
India	3.0%	2.6%	3.1%	2.5%	2.5%	2.8%
China	(0.3)%	0.5%	0.8%	1.3%	1.1%	2.3%
South Africa	2.4%	2.3%	3.5%	3.5%	3.3%	4.0%
Egypt	24.9%	11.7%	7.3%	6.8%	6.3%	7.3%
Ethiopia	21.2%	29.3%	19.6%	13.5%	9.8%	8.4%
Iran	29.0%	27.9%	21.5%	17.6%	16.9%	15.9%
United Arab Emirates	1.3%	(1.7)%	(0.7)%	(0.5)%	(0.3)%	0.2%

Source : Economist Intelligence Unit

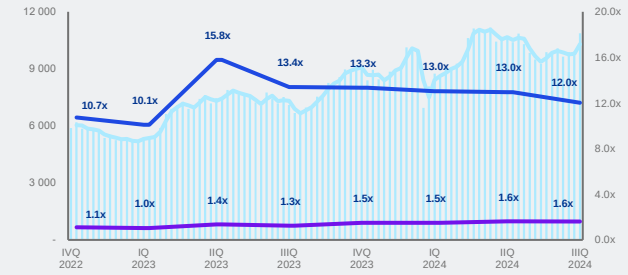
Appendix 1

Sector valuation multiples

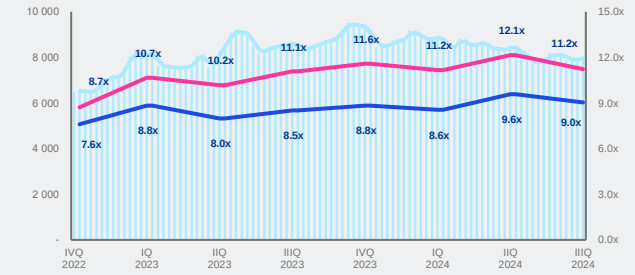
Calculations included over 170 entities listed on the Warsaw Stock Exchange in line with official sector classification. Dual-listed companies and entities with negative base (book value, earnings or EBITDA) were excluded. Current edition presents data up to 30 September 2024.

Note: KPMG's own analysis based on data from S&P Capital IQ, KPMG Digital Valuation tools and other publicly available databases. The methodology used to aggregate the multiples of the companies included in each sector index is to separately add the components of the multiples of all companies within a given sector and then divide the two totals by each other. The aggregation method described above tends to "smooth out" the sector results more than calculations based on the arithmetic average of the multipliers of individual participants in a given index, especially for indices consisting of a small number of entities.

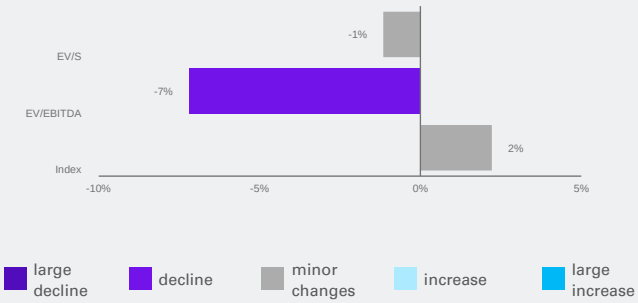
Apparel



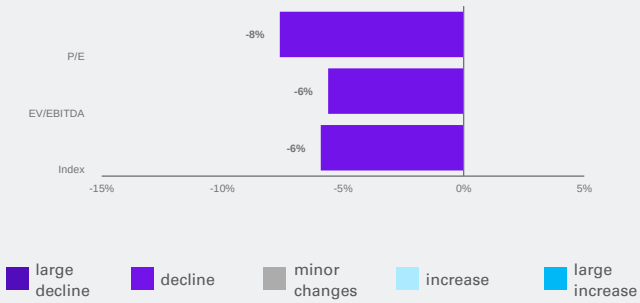
Automotive



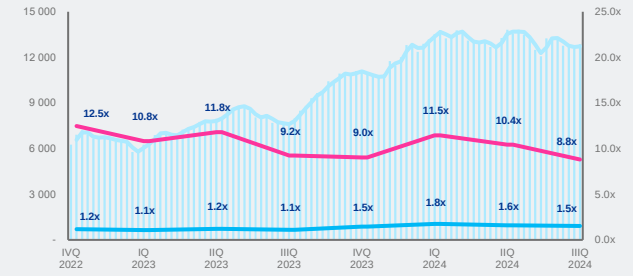
Q/Q changes



Q/Q changes

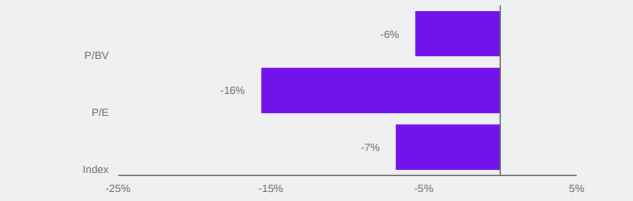


Banks



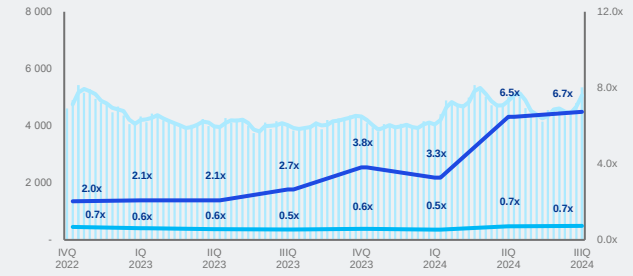
WIG-Banks Index value (left axis) — P/E (right axis) — P/BV (right axis)

Q/Q changes



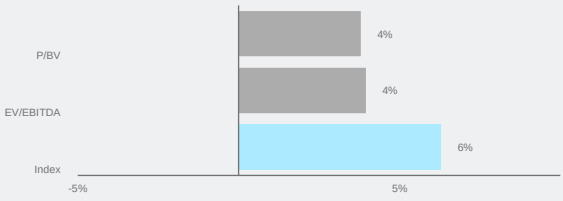
large decline — decline — minor changes — increase — large increase

Basic Materials



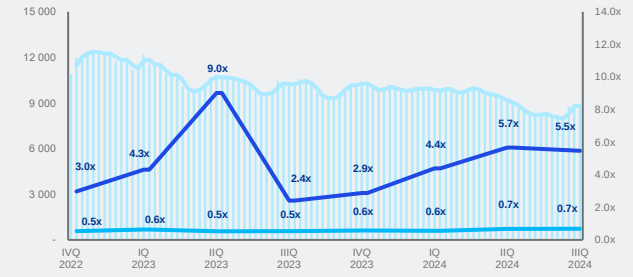
WIG-Basic Materials Index value (left axis) — EV/EBITDA (right axis) — P/BV (right axis)

Q/Q changes



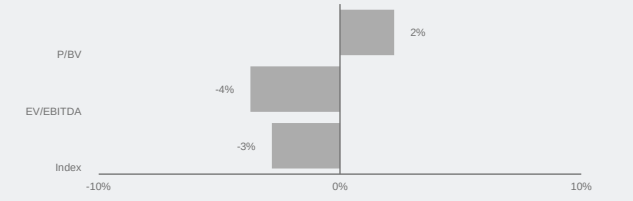
large decline — decline — minor changes — increase — large increase

Chemicals



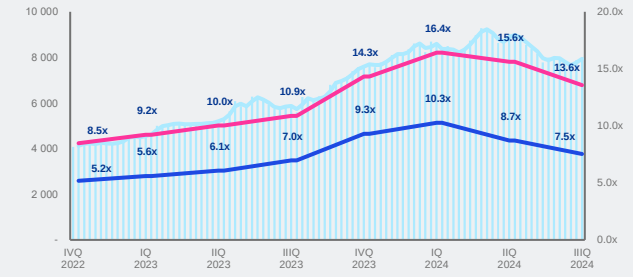
WIG-Chemicals Index value (left axis) — EV/EBITDA (right axis) — P/BV (right axis)

Q/Q changes



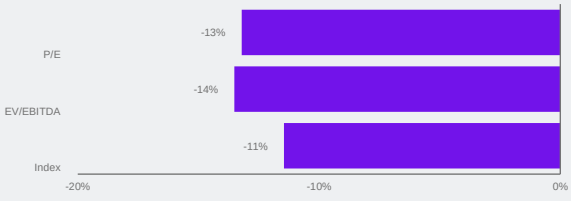
large decline — decline — minor changes — increase — large increase

Construction



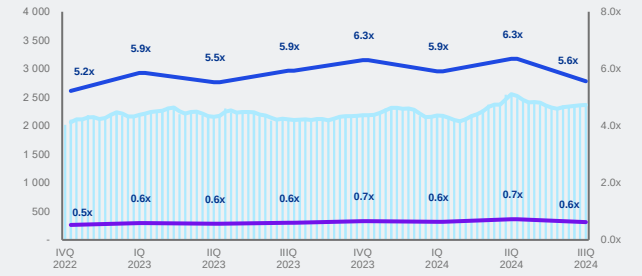
WIG-Construction Index value (left axis) — P/E (right axis) — EV/EBITDA (right axis)

Q/Q changes



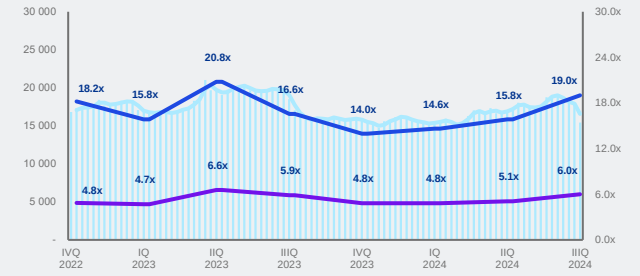
large decline — decline — minor changes — increase — large increase

Food



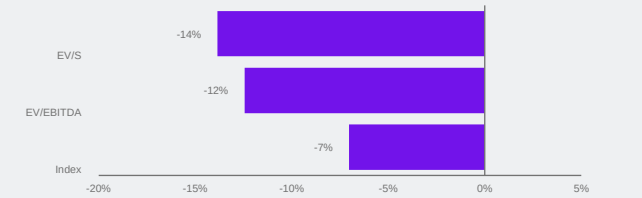
WIG-Food Index value (left axis) — EV/EBITDA (right axis) — EV/S (right axis)

Games



WIG-Games Index value (left axis) — EV/EBITDA (right axis) — EV/S (right axis)

Q/Q changes



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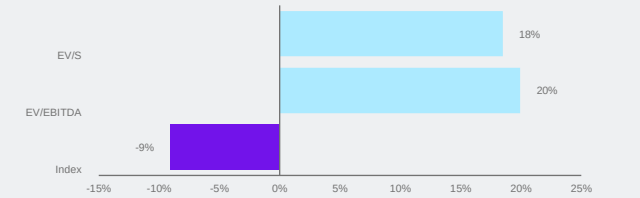
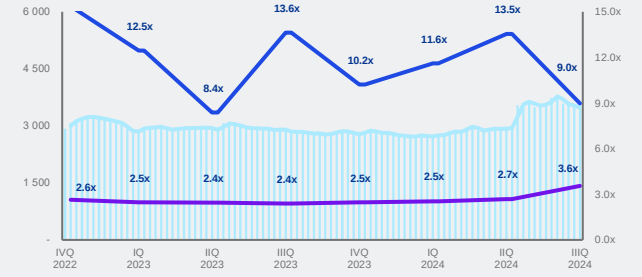
Q/Q changes



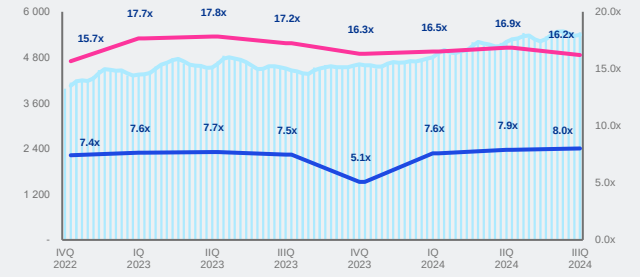
large decline — decline — minor changes — increase — large increase

Healthcare



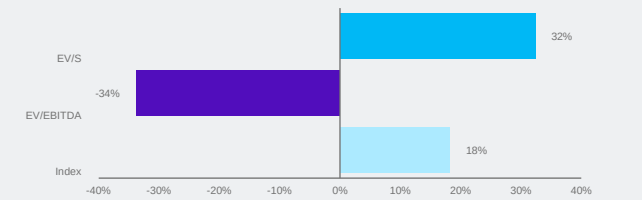
WIG-Healthcare Index value (left axis) — EV/EBITDA (right axis) — EV/S (right axis)

IT



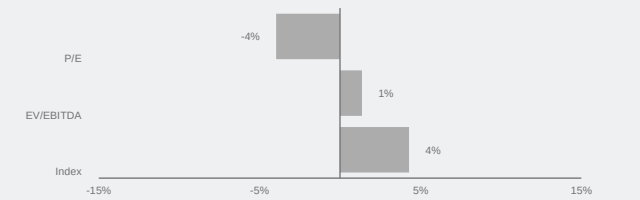
WIG-IT Index value (left axis) — P/E (right axis) — EV/EBITDA (right axis)

Q/Q changes



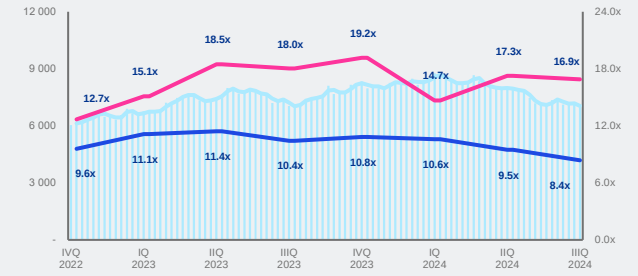
large decline — decline — minor changes — increase — large increase

Q/Q changes



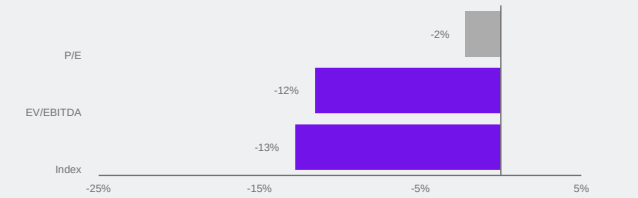
large decline — decline — minor changes — increase — large increase

Media



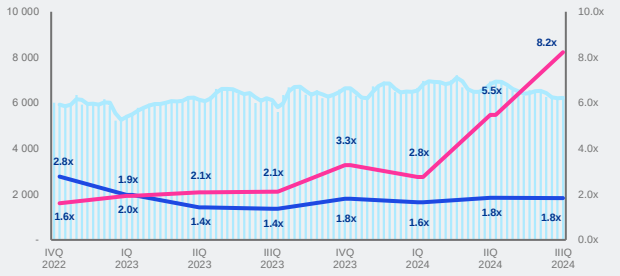
WIG-Media Index value (left axis) — P/E (right axis) — EV/EBITDA (right axis)

Q/Q changes



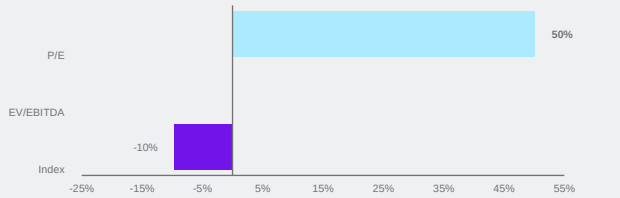
large decline — decline — minor changes — increase — large increase

Oil&Gas



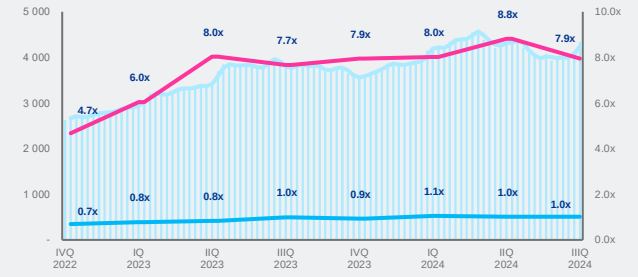
WIG-Oil&Gas Index value (left axis) — P/E (right axis) — EV/EBITDA (right axis)

Q/Q changes



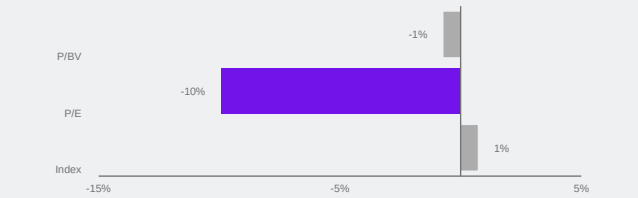
large decline — decline — minor changes — increase — large increase

Real Estate



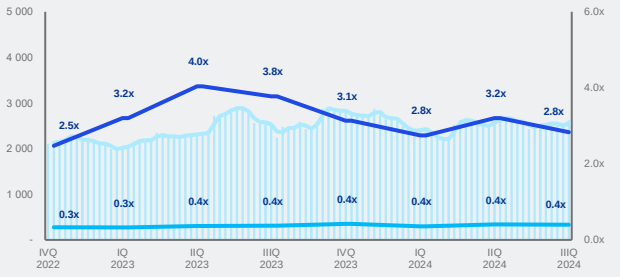
WIG-Real Estate Index value (left axis) — P/E (right axis) — P/BV (right axis)

Q/Q changes



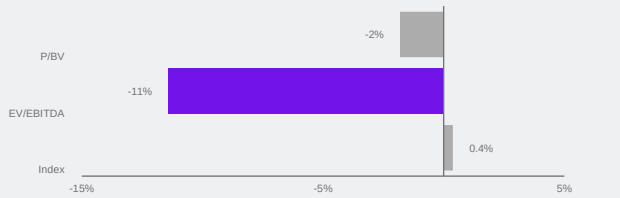
large decline — decline — minor changes — increase — large increase

Utilities



WIG-Utilities Index value (left axis) — EV/EBITDA (right axis) — P/BV (right axis)

Q/Q changes

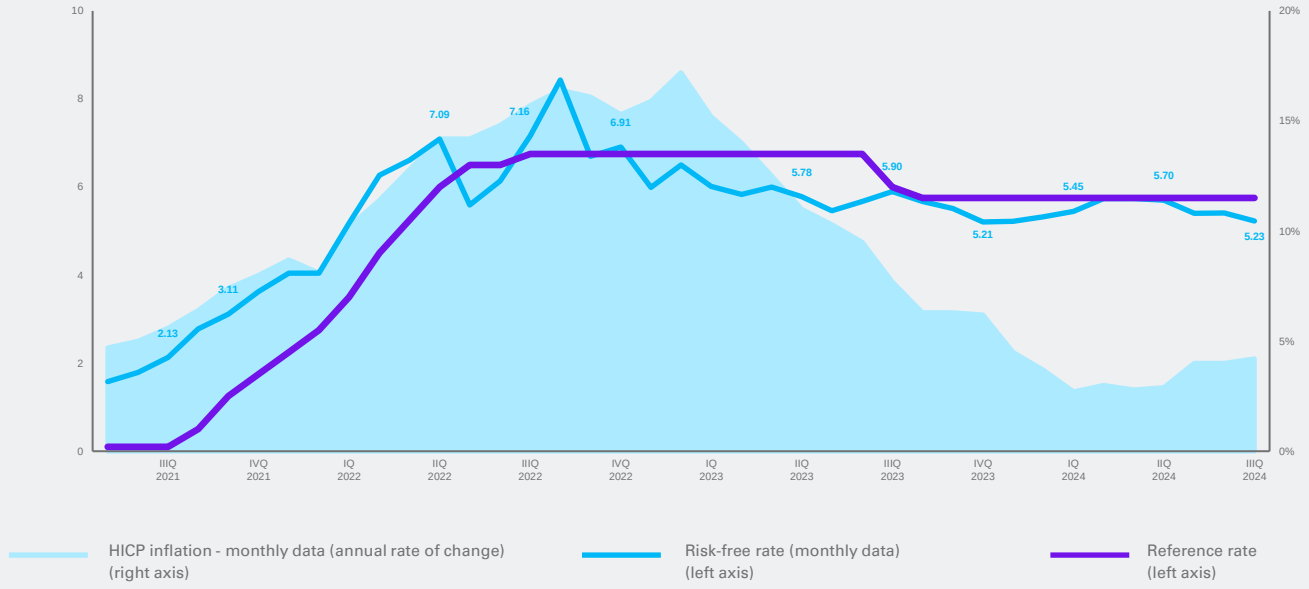


large decline — decline — minor changes — increase — large increase

Appendix 2

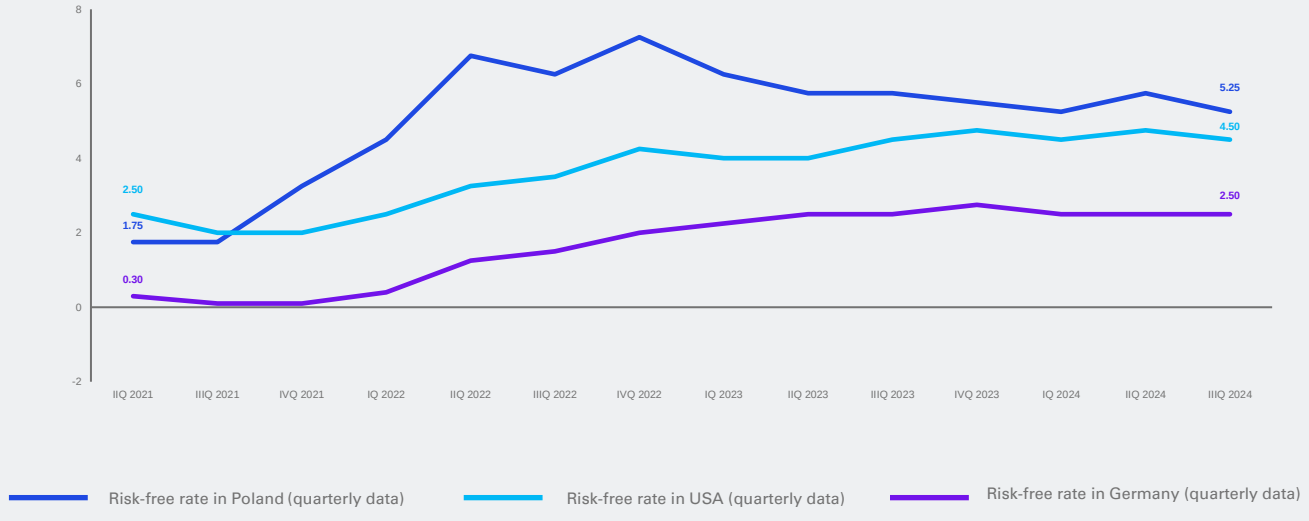
Risk-free rate in Poland

10-year risk-free rate versus inflation and reference rates in Poland[1]



Source: KPMG's own analysis based on data taken from Digital Valuation tools and Eurostat database.

Poland's 10-year risk-free rate compared to rates in other countries[2]



Source: KPMG's own analysis based on data taken from Digital Valuation tools.

[1] The risk-free rate under consideration in the KPMG analysis is based on yields on Polish 10-year sovereign bonds.
[2] The risk-free rates have been smoothed, including the averaging of three months of data and rounding the results to 0.25% (for values above 1%) and to 0.1% (for values below 1%) for comparison purposes.

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